



EPA Budget

Upcoming Decisions, Milestones, & Processes

November 2020

Introduction & Overview

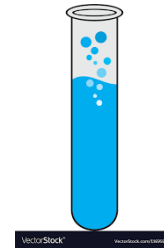


- The following slides are intended to provide transition teams an overview of EPA's budget structure, data and historical perspectives, as well as budget-related decisions, timelines and processes.
- This information is intended to provide context and related to the Fiscal Year 2021, 2022, and 2023 budget processes
- *This deck is not intended to explore major investment options.*

Federal Budgeting – 2 main parts

- **Generally divided into 2 parts:**

- 1) Budget Formulation
- 2) Budget Execution



- **Formulation** – Requesting funds, developing estimates and planning for future needs.
 - The agency as a whole is formulating budgets for FY 2022 and beyond
- **Execution** - Correctly use monies that have been given (appropriated)
 - We are executing FY 2020 and prior year monies, which include supplemental dollars



EPA Appropriations



EPA's major funding appropriations are, in order of dollar value:

- **State and Tribal Assistance Grants (STAG)** – Funds grants or cooperative agreements for states and tribes to solve environmental problems. In FY 2017 PB, STAG includes: \$2 Billion for State Revolving Funds, \$1.158 Billion for Categorical Grants, and \$122 million for other items
- **Environmental Programs & Management (EPM)** – Funds a broad range of pollution control efforts for all programs except Superfund, LUST, Oil, including payroll, travel, support contracts and some grants
- **Hazardous Substance Response Trust Fund (Superfund, SF)** – Funds legislative mandates of CERCLA & related emergency response to hazardous waste spills, long term planning & site cleanup, & enforcement actions requiring responsible parties to clean up & allow the government to recover costs
- **Science & Technology (S&T)** – Primarily funds research & research related activities.
- **Leaking Underground Storage Tanks Trust Fund (LUST)** – Funds legislated mandates of the Superfund Amendments & Reauthorization Act (SARA) and corrective action for releases from leaking underground storage tanks. Implemented through cooperative agreements with states.
- **Buildings and Facilities (B&F)** – Funds repairs, improvements and new construction for EPA buildings
- **Inland Oil Spill Programs (Oil)** – Funds prevention & response to oil spills in waterways
- **Inspector General (IG)** – Funds EPA audit, evaluation & investigative functions
- **E-Manifest** – Funds E-manifest
- **WIFIA** – New Appropriation for the Water Infrastructure and Finance Innovation Act

NOTE: EPA may NOT move funds across appropriations – SF transfer to S&T and IG only exception as it is directed in the annual appropriation language





Major Budget Decisions by Fiscal Year



FY 2021

- **Continuing Resolution** – Current CR expires December 11 (may be extended)
- **Operating Plan** – Once President signs the appropriation, EPA develops and submits an Operating Plan
 - Typically, due to OMB in 20 days and to Congress within 30 days
- **Strategic Resource Management** – Hiring, payroll, IT updates, strategic and administration priorities, etc.

FY 2022

- **President's Budget** – OMB and Congress set deadlines for Transition Year budgets
 - White House discusses and announces overall levels for agencies (February)
 - Internal EPA deliberation (March)
 - Prepare and release in detailed 1,000 + page budget and supporting documents (April / May)
- **Budget Hearings** – Congressional Budget Hearings, Testimony, and Questions

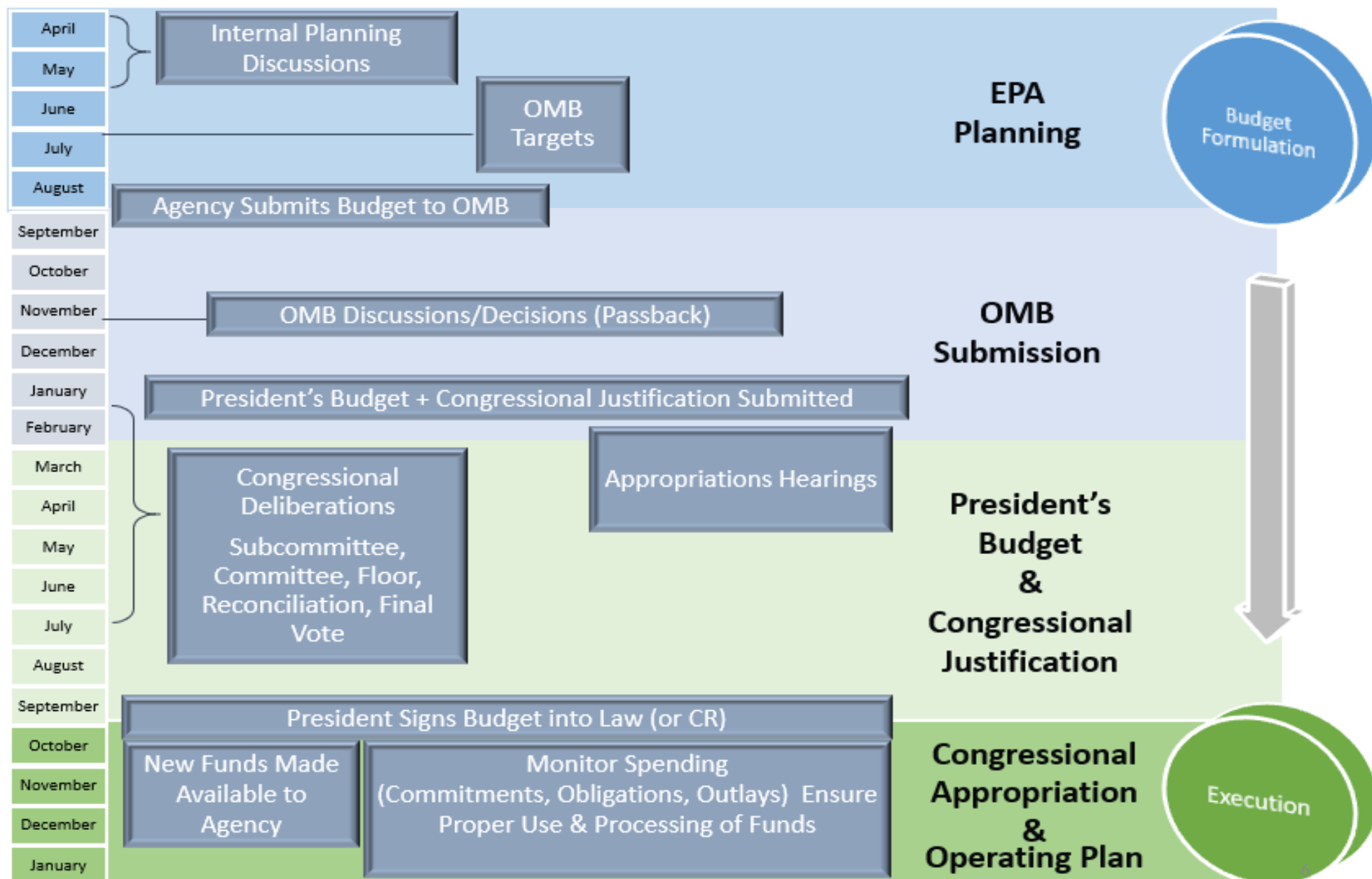
FY 2023

- **Targets** - OMB generally sets Administration priorities and target funding levels
- **Planning** – Administrator announces priorities & process (April)
- **Planning Meetings** – Senior Leadership Planning Discussions & Budget Forum (May / June)
- **Final Agency Guidance** – Target level and policy decisions sent to agency (typically late July)
- **OMB Submission** – Submit proposed budget to OMB (early September)





EPA Budget Formulation Schedule



FY 2021 Continuing Resolution (CR)



Congress passed temporary CR appropriations bills to fund agency operations through December 11, 2020

- The CR bill contain language on the rate of operations (or spending) and amount of funding available under the CR
- No new programs, program eliminations, or reorganizations can be implemented during a CR
 - The agency must continue to operate as it did in the previous fiscal year
- Congress may pass another CR to fund operations beyond December 11
- If the agency does not receive a full year appropriation and no additional CR is passed, the government shuts down
 - However, some EPA employees deemed “essential” may have to work full or part-time and some employees whose work is funded by fees or other non-appropriated sources of funding may also continue to work



FY 2021

Operating Plan Development



When the EPA receives an appropriation, we must develop an operating plan

- Generally, EPA must submit a detailed Operating Plan to OMB within 20 days and to Congressional appropriations committees within 30 calendar days of the President signing the bill
- To develop an Operating Plan, EPA reviews congressional direction and updates costs by:
 - Applying any rescissions and reviews Congressional direction,
 - Updating cost calculations (e.g. payroll, support costs, etc.),
 - Addressing potential pay/non-pay shortfalls, and
 - Considering agency redirections to support policy choices from the President's Budget within available flexibility
- Specific Congressional language can vary, including additional approval steps, changes in due dates, or other details

FY 2021

Operating Plan Decisions



Decisions points needed to develop the FY 2021 Operating Plan include:

FTE levels / Payroll

- Funding provided may have resource constraints that force decisions between payroll and other types of funding (i.e. contracts or grants)
- Individual programs may have appropriations language or specified levels that create similar decisions within the program
- Choices may have to be made at an agency or individual office level

• Contracts and Grants

- New priorities may have emerged since the President's Budget submission that require additional resources
- Funding may be constrained and there may be decisions across programs for general or specified reductions
- Choices may have to be made at an agency or individual office level

• Trade offs between programs

- Recent appropriations have not provided full levels requested, requiring prioritization decisions
- Final appropriations may align with request requiring either planning for unanticipated resources or prioritization to adjust to lower levels.
- Congressional reprogramming limits or other direction limits the agency's flexibility to move funding across programs

FY 2023

Budget Formulation Steps



- Normally, the Federal government begins formulating (planning for) budgets about a year and a half before the start of the relevant Fiscal Year.
- The major steps include:
 - **Internal Deliberation** – EPA holds internal discussions to develop budget proposals
 - The Agency’s senior leadership discusses budget options to reach the OMB “target” for EPA’s total budget funding level. The Administrator makes final decisions.
 - **OMB Submission** – EPA submits a detailed proposed budget to OMB
 - Followed by discussions and formal OMB hearings
 - **Passback** – OMB sends proposed budget back to EPA
 - Negotiations begin between agency and OMB with final decisions reached in settlement
 - **President’s Budget/Congressional Justification** – EPA submits detailed budget to Congress
 - Normally agency meets with the press and stakeholders and briefs appropriators/authorizers.
 - **Hearings and Congressional Deliberations** – Congress reviews EPA’s budget proposals, holds hearings, etc.
 - **Operating Plan** – EPA develops a detailed spending plan after President signs appropriations bills

❖**Note:** *Because budget formulation takes more than a year, some of these major steps for different fiscal years happen at the same time.*

FY 2022 Budget Formulation Process Status



Steps taken prior to election

- Agency submitted its FY 2022 OMB Submission to OMB in September, based on the policy priorities of the current Administration

Post- Election *(early November through inauguration)*

- Transition Teams arrive and may begin looking at funding options and priorities

Below are some possible major steps based on past transitions.

Budget Blueprint *(February or March in previous transitions)*

- New Administrations sometimes announce Budget Blueprints with budget totals for agencies and major initiatives and investments – *EPA appointees may have a role in suggesting initiatives*

Prepare and Submit FY 2022 Budget *(February through May in previous transitions)*

- Passback – OMB may have a formal passback in which they give the EPA an overall budget target and policy directions. *(February, March in previous transitions)*
- Prepare Congressional Justification / President's Budget. *(March & April in previous transitions)*
- Deliver President's Budget to Congress *(late April, May in previous transitions)*

Budget Formulation Considerations

Agencies have flexibility within the OMB proposed funding level (OMB target) to consider:



- **Big Picture**
 - Are there programs that have significant resource gaps?
 - What FTE (staffing) levels will be included in the request?
- **Administration Initiatives**
 - Are there government-wide initiatives that the EPA should participate in?
- **Additional Requests?**
 - Does OMB guidance allow for additional or over-target proposals?
- **Does the OMB target allow for adequate payroll and other base costs?**
 - Cost Savings Proposals – Short and long term strategies to reduce costs
 - Trade offs between programs - Sunset or reduce programs?
 - What performance results could be achieved with greater resources?
- ***But – EPA's has a complicated budget structure which limits choices***
 - *EPA's Budget justification is over 1,000 pages and provides detail on each appropriation and program project*
 - *The EPA currently is controlled through 10 appropriations, 116 program projects organized into 28 program areas.*
 - *Congress limits movement for each program area to \$1M or 10% per year through reprogramming limits. EPA cannot transfer funds between appropriations.*



Appendix



Designated Officials at EPA with Budget and Finance Responsibilities

- **OCFO Leadership** including Deputy CFO, Controller, Budget Director
- **Senior Resource Officials (SROs)** are the Deputy Assistant Administrators (DAA) OR Mission Support Divisions Directors in NPMs and Regional offices respectively are responsible for resources management and guide resource planning.
- **Senior Budget Officers (SBOs)** – Each NPM has an SBO with a small team who help in budget formulation and guide budget execution.
 - Larger NPMs also tend to have smaller financial units within their major offices, e.g. OW's Clean and Drinking Water groups or RTP in North Carolina.
 - SBOs will coordinate with lead Regions on particular budget topics.
- **Mission Support Division Directors (MSDDs)** coordinate all administrative functions in each Region, including budget and finance
- **Regional Comptrollers** – manage financial execution and participate in some budget execution exercises. Normally have a budget and finance lead.
- **Funds Control Officers (FCOs)** – EPA organizations designate and train officials to assure sound financial management. FCOs track, review, report and assure the proper use of funds.

And all managers are ultimately responsible for any financial actions they take



Spending Federal Requirements

All program spending must comply with 3 general sets of Law and Rules

1) Environmental Laws (Statutes)

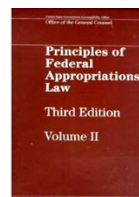
- NEPA, CAA, CWA, SWDA, RCRA, TSCA, CERCLA, FIFRA, etc.
- *Many EPA Authorizing Statutes have specific financial authorizations and requirements.*

2) Appropriations Statutes - Annual & Supplemental Appropriations

- Appropriations have directives and requirements in law and report language,
- *The EPA cannot move dollars between its 10 appropriations*
- *Congress limits reprogramming between EPA's 28 program areas and 116 program projects to \$1 million or 10 percent (whichever is lower)*

3) Government-wide Management Laws (Statutes) and Guidance / Regulations

- **Laws** - Anti-Deficiency Act (ADA) GPRA, CFO Act, FMFIA (internal controls), the Recording Statute, FFMIA, FACA, IG Act, Data Act, Miscellaneous Receipts Act (MRA), etc.
- **Guidance / Regulations** – comes from different organizations
 - Office of Management & Budget (OMB) Circulars (A-11, A-123, etc.), GAO (Green Book, Red Book, etc). OPM (HR), GSA (space, procurement, travel), DOC-NIST (cyber-security), Treasury (finance), etc.





Complex Federal Spending Rules

Federal Government spending rules can be very different than private sector, non-profit or even state and local spending and administrative rules.

- *Seemingly minor details can cause major problems.*

Legal, administrative and financial specialists can advise on plans, contracts, grants, travel, pay and other actions to check on how to meet all Federal requirements

For example:

- 1) Statutes** - Program Experts & General Counsel can advise on what is authorized under environmental statutes
- 2) Appropriations** - Senior Budget Officers (SBOs) and Regional Comptrollers, General Counsel and OCFO on appropriation directives, restrictions, and report language
- 3) Management Laws and Rules** - Funds Control Officers (FCOs), Contract Offices and Grants Officers on the administrative, financial and other laws and rules